

Filed for intro on 01/31/2000  
HOUSE BILL 2771 By  
Scroggs

SENATE BILL 2949  
By Clabough

AN ACT to amend Tennessee Code Annotated, Title 9, Chapter 4  
and Title 13, Chapter 5, relative to a state strategic  
planning and budget process.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 13, Chapter 5, is amended by adding  
the following as a new part:

**Part 1 - State Agency Strategic Planning**

**13-5-101.** This part shall be known and may be cited as the "Tennessee Strategic  
Planning Act of 2000".

**13-5-102.** (a) The general assembly finds and declares that:

(1) To promote intergovernmental coordination, accountability and the effective  
allocation of resources, the state should set goals to provide direction and guidance for  
state agencies in the development and implementation of their respective plans,  
programs, and services. The preservation and enhancement of the quality of life of the  
people of this state require that a statewide strategic plan be adopted by the general  
assembly to provide policy direction for all state agencies.

(2) Regular evaluation of the statewide strategic plan is necessary to inform the public whether state goals are being attained. To accomplish this purpose, the statewide strategic plan should be evaluated annually with any necessary revisions prepared through coordinated action by state agencies.

(b) It is the intent of the general assembly that:

(1) The state planning process and the statewide strategic plan provide direction for the delivery of governmental services, a means for defining and achieving the specific goals of the state, and a method for evaluating the accomplishment of those goals and establishing more accountability for all state agencies.

(2) The statewide strategic plan shall provide basic policy direction to all state agencies regarding the development and implementation of their respective plans, programs and services.

(3) State agency strategic plans shall be effectively coordinated to ensure the establishment of appropriate agency priorities and to facilitate the orderly, positive management of agency activities consistent with the public interest. It is also intended that the implementation of statewide and state agency strategic plans enhance the quality of life of the citizens of the state.

(4) All state agencies involved in the strategic planning process shall provide sufficient opportunities for meaningful public participation prior to the preparation of all state agency strategic plans and programs.

**13-5-103.** As used in this part, unless the context otherwise requires:

(1) "Commissioner" means the commissioner of finance and administration.

(2) "Goal" means the long-term end toward which programs and activities are ultimately directed.

(3) "Objective" means a specific, measurable, intermediate end that is achievable and marks progress toward a goal.

(4) "Policy" means the way in which programs and activities are conducted to achieve an identified goal.

(5) "State agency" or "agency" means any official, officer, commission, board, authority, council, committee, or department of the executive branch of state government. For purposes of this act, "state agency" or "agency" includes state attorneys, public defenders, institutions of higher education, the administrative office of the courts and any other spending agency of the state government that directly receives appropriations from the general assembly.

(6) "State agency strategic plan" means the statement of priority directions that an agency will take to carry out its mission within the context of the statewide strategic plan and within the context of any other statutory mandates and authorizations given to the agency.

(7) "Statewide strategic plan" means the statewide strategic planning document required by Section 13-5-107.

(8) "Strategy" means a means to an end; a policy, program, action, or decision that an agency uses to achieve an objective.

**13-5-104.** The commissioner of finance and administration shall serve as the chief planning officer of the state and, in consultation with the governor, shall conduct an annual review and revision of the statewide strategic plan.

**13-5-105.** (a) The head of each state agency shall select from within such agency a person to be designated as the planning officer for such agency. The planning officer shall be responsible for coordinating with the commissioner of finance and administration and with the planning officers of other agencies all activities and responsibilities of such agency relating to planning.

(b) The head of each agency shall notify the commissioner of finance and administration in writing of the person initially designated as the planning officer for such agency and of any changes in persons so designated thereafter.

**13-5-106.** (a) For the purpose of establishing consistency and uniformity in the state strategic planning process and in order to ensure that the intent of this act is accomplished, the commissioner of finance and administration shall:

(1) Identify and monitor on a continuing basis statewide conditions and trends which impact the state.

(2) Prepare, and update or revise regularly, the statewide strategic plan.

(3) Designate, and prepare or direct to be prepared, specific data, assumptions, forecasts, and projections for use by each state agency in the preparation of state agency strategic plans.

(4) Coordinate planning among federal, state, regional, and local levels of government and between this state and other states.

(5) Prepare or direct appropriate state agencies to prepare such studies, reports, data collections, or analyses as are necessary or useful in the preparation or revision of the statewide strategic plan and state agency strategic plans.

(6) Direct state agencies to prepare and implement, consistent with their authority and responsibilities under law, such state agency strategic plans as are necessary to further the purposes and intent of the statewide strategic plan.

(7) Provide such data and information to public and private agencies and to the public as it may have available.

(8) Using federal, state, local, or private funds, contract with public agencies or private firms or consultants for specialized services or research facilities, whenever such services or facilities are not otherwise available to it.

(9) Perform such other functions as are necessary to carry out the intent of this act.

**13-5-107.** (a)(1) The commissioner of finance and administration shall prepare a proposed statewide strategic plan, which provides a long-range vision, mission, statement of values, priorities, key goals and objectives that will enhance the quality of life of citizens of the state. The plan shall be composed of goals, objectives, and strategies that are briefly stated in plain, easily understandable words and that give specific policy direction to state agencies. The goals, objectives, and strategies shall be statewide in scope and shall be consistent and compatible with each other.

(2) The statewide strategic plan shall be developed with a two (2) to five (5) year outlook and shall provide the strategic framework within which the budget of the state government is developed. The budget of state government shall be designed to further the statewide strategic plan.

(b) All capital outlay recommendations submitted to the general assembly in the governor's budget request must be consistent with the goals, objectives, and policies of the statewide strategic plan.

(c) The adopted statewide strategic plan shall provide, in addition to other criteria established by law, standards and criteria for the review and approval of state agency strategic plans.

(d) In preparing and revising the statewide strategic plan, the commissioner of finance and administration shall, to the extent feasible, consider studies, reports, and plans of each department, agency, and institution of state and local government, each regional planning agency, and the Federal Government and shall take into account the existing and prospective resources, capabilities, and needs of state and local levels of government.

(e) The revision of the statewide strategic plan is a continuing process. Each section of the plan shall be reviewed and analyzed annually by the governor and the commissioner of

finance and administration in conjunction with the planning officers of other state agencies significantly affected by the provisions of the particular section under review.

**13-5-108.** (a) On or before January 1 of each year, in consultation with the governor, the commissioner of finance and administration shall prepare any proposed revisions to the statewide strategic plan deemed necessary.

(b) The proposed statewide strategic plan or parts or revisions thereof shall be transmitted by the governor in printed form to the general assembly in a report as an attachment to the budget document required to be submitted to the general assembly pursuant to Section 9-4-5105, for presentation to the next regular session of the general assembly for its approval by. Copies shall also be transmitted to each state agency affected by or having an interest in the plan.

(c) Nothing contained in the plan or parts or revisions thereof shall authorize the implementation of any programs not otherwise authorized pursuant to law.

(d) The statewide strategic plan, and all amendments, revisions, or updates to the plan, shall have legal effect only upon adoption by the general assembly as general law. State agency budgets shall be prepared and executed based upon and consistent with law and the statewide strategic plan as adopted by the general assembly.

(e) The statewide strategic plan shall be implemented and enforced by all state agencies consistent with their lawful responsibilities put in force by law or by administrative rule. The commissioner of finance and administration, as chief planning officer of the state, in consultation with the governor, shall oversee the implementation process.

(f) All state agency budgets and programs shall be consistent with the adopted statewide strategic plan and shall support and further its goals and policies.

**13-5-109.** (a) A state agency strategic plan shall be a statement of the priority directions an agency will take to carry out its mission within the context of the statewide strategic plan and

any other statutory mandates and authorizations given to the agency. Each state agency strategic plan shall specify those objectives against which will be judged the agency's achievement of its goals and the related goals of the statewide strategic plan. The state agency strategic plan shall be consistent with and shall further the goals of the statewide strategic plan.

(b) A state agency strategic plan shall be developed with a two- to five-year outlook and shall provide the strategic framework within which an agency's budget is developed. An agency's budget shall be designed to further the agency's strategic plan.

(c) All amendments, revisions, or updates to a state agency strategic plan shall be prepared in the same manner as the original and shall be prepared as needed because of changes in the statewide strategic plan or changes in the statutory authority and responsibility of the agency.

**13-5-110.** (a) Beginning in 2000, each agency shall prepare its agency strategic plan and shall submit the same to the commissioner of finance and administration along with its expenditure estimates as required by Section 9-4-5103 or Section 16-3-803. Prior to the submission of its state agency strategic plan to the commissioner, each agency shall hold a public hearing on the proposed state agency strategic plan, and shall allow at least a twenty-one-day period for public comment. At a minimum, adequate public notice must be assured by publication of notice of the hearing and comment period in the Tennessee Administrative Register.

(b) Each state agency strategic plan must be in a form and manner prescribed in written instructions prepared by the commissioner of finance and administration after consultation with the fiscal review committee. Each state agency strategic plan must identify the specific legislative authority necessary to implement the provisions of the plan. An agency may only implement those portions of its strategic plan that are consistent with existing statutory or constitutional authority and for which funding, if needed, is available consistent with the provisions of applicable appropriations acts of the general assembly. An agency's expenditure

estimate as required by Section 9-4-5103 or Section 16-3-803 shall identify the financial resources necessary to further the provisions of the agency's strategic plan. Performance measures, as defined in Section 9-4-5002 and proposed by the agency pursuant to Section 9-4-5003, must be consistent with the objectives in the state agency strategic plan and shall represent one-year implementation efforts necessary to meet the five-year state agency strategic plan objectives. State agency strategic plans shall be amended by the agency, as necessary, to ensure consistency with the legislative actions prior to the effective date of the state agency strategic plan.

(c) The commissioner of finance and administration shall review the state agency strategic plans to ensure that they are consistent with the statewide strategic plan and other requirements as specified in the written instructions. Within sixty (60) days, reviewed plans shall be returned to the agency, together with any required revisions.

(d) The state agency shall, within thirty (30) days of the return of its state agency strategic plan, incorporate all revisions required by the commissioner.

(e) The commissioner of finance and administration shall transmit copies of the statewide strategic plan and each state agency strategic plan together with all written comments regarding the same to the speakers of the senate and house of representatives for referral to and consideration by the respective finance ways and means committees and other appropriate standing committees, not later than thirty (30) days prior to the next regular session of the general assembly.

(f) The statewide strategic plan and the state agency strategic plans developed pursuant to this chapter are not rules and therefore are not subject to the provisions of the Uniform Administrative Procedures Act compiled at title 4, chapter 5.

(g) On or before December 1 of each year, each state agency shall submit an annual performance report to the commissioner of finance and administration, with copies to the speakers of the senate and house of representatives for referral to and consideration by the



respective finance, ways and means committees and other appropriate standing committees. Copies shall also be provided by the commissioner to the fiscal review committee, the comptroller of the treasury and the office of legislative budget analysis. The purpose of this report is to evaluate the attainment of the agency objectives in the state agency strategic plan and the performance measures approved by the general assembly pursuant to Section 9-4-5003(c) and established in the general appropriations act for the previous fiscal year. In addition, each state agency must include a one-page summary of all moneys that were expended or encumbered by the agency, or for which the agency was otherwise responsible, during the preceding fiscal year and an estimate of such moneys projected by the agency for the current fiscal year.

SECTION 2. Tennessee Code Annotated, Title 9, Chapter 4, is amended by adding the following as a new part 50:

#### **Part 50 - State Performance-Based Budgeting**

**9-4-5001.** This part shall be known and may be cited as the "Tennessee Performance-Based Budgeting Act of 2000".

**9-4-5002.** As used in this act, unless the context otherwise requires:

(1) "Baseline data" means indicators of a state agency's current performance level, pursuant to guidelines established by the commissioner of finance and administration, in consultation with appropriate substantive committees of the general assembly.

(2) "Commissioner" shall have the meaning set forth in Section 13-5-103.

(3) "Disincentive" means a sanction as described in Section 9-4-5006(b).

(4) "Fiscal year of the state" means a period of time beginning July 1 and ending on the following June 30, both dates inclusive.

(5) "Goal" shall have the meaning set forth in Section 13-5-103.

(6) "Incentive" means a mechanism, as described in Section 9-4-5006(b), for recognizing the achievement of performance standards or for motivating performance that exceeds performance standards.

(7) "Objective" shall have the meaning set forth in Section 13-5-103.

(8) "Outcome" means an indicator of the actual impact or public benefit of a program.

(9) "Output" means the actual service or product delivered by a state agency.

(10) "Performance-based program appropriation" means funds appropriated for a specific set of activities or classification of expenditure within an approved performance-based program.

(11) "Performance-based program budget" means a budget that incorporates approved programs and performance measures.

(12) "Performance ledger" means the official compilation of information about state agency performance-based programs and measures, including approved programs, approved outputs and outcomes, baseline data, approved standards for each performance measure and any approved adjustments thereto, as well as actual agency performance for each measure.

(13) "Performance measure" means a quantitative or qualitative indicator used to assess state agency performance.

(14) "Policy" shall have the meaning set forth in Section 13-5-103.

(15) "Program" means a set of activities undertaken in accordance with a plan of action organized to realize identifiable goals and objectives based on legislative authorization.

(16) "Standard" means the level of performance of an outcome or output.

(17) "State agency" or "agency" shall have the meaning set forth in Section 13-5-103.

(18) "State agency strategic plan" shall have the meaning set forth in Section 13-5-103.

(19) "Statewide strategic plan" shall have the meaning set forth in Section 13-5-103.

**9-4-5003.** (a) Prior to October 1, 2000, and October 1 of each year thereafter, each state agency shall identify and submit to the commissioner of finance and administration a list of proposed state agency programs and performance measures.

(b) The following documentation shall accompany the list of proposed programs and measures submitted by the state agency:

- (1) The constitutional or statutory direction and authority for each program.
- (2) Identification of the customers, clients, and users of each program.
- (3) The purpose of each program or the benefit derived by the customers, clients, and users of the program.
- (4) Direct and indirect costs of each program.
- (5) An assessment of whether each program is conducive to performance-based program budgeting.
- (6) An assessment of the time needed to develop meaningful performance measures for each program.
- (7) A comparison of the agency's existing budget structure to the proposed budget structure.
- (8) A description of the use of performance measures in agency decision-making, agency actions to allocate funds and manage programs, and the agency strategic plan.
- (9) The outputs produced by each proposed program, the outcomes resulting from each proposed program, and baseline data associated with each performance measure. Agencies must submit documentation for each output and outcome measure which explains the validity, reliability, and appropriateness of each performance

measure. Such documentation must be prepared by the agency in consultation with the comptroller of the treasury.

(c) Each agency shall submit a performance-based program budget request pursuant to Section 9-4-5004, using the programs and performance measures adopted by the general assembly, or, if none are adopted, those recommended by the commissioner of finance and administration. Notwithstanding the programs, performance measures, and standards requested for each state agency in the governor's budget recommendations, the general assembly shall have final approval of all programs, performance measures, and standards through the general appropriations act.

(d) Annually, no later than forty-five (45) days after the general appropriations act becomes law, state agencies may submit to the commissioner of finance and administration any adjustments to their performance standards based on the amounts appropriated for each program by the general assembly. When such adjustment is made, all performance standards, including any adjustments made, shall be submitted to and reviewed and revised as necessary by the commissioner of finance and administration, and, upon approval, submitted to the general assembly pursuant to the review and approval process provided in Section 9-4-5007. The commissioner of finance and administration shall maintain both the official record of adjustments to the performance standards as part of the agency's approved operating budget and the official performance ledger.

**9-4-5004.** (a) In order to implement the provisions of this act, every state agency shall prepare a performance-based budget request on blanks furnished to them by the commissioner and shall submit the same to the commissioner of finance and administration by October 1, 2001, for the 2002-2003 fiscal year and by October 1 of each year thereafter for the next succeeding fiscal year.

(b) Any new agency or portion thereof created after October 1, 2001, shall submit a performance-based program budget to the commissioner of finance and administration by October 1 of the year following the creation of the agency or portion thereof.

**9-4-5005.** (a) The commissioner of finance and administration, after having met with and received input from the fiscal review committee, shall develop performance-based program budget request instructions from which each agency shall prepare its performance-based program budget request, which shall be submitted to the commissioner of finance and administration in accordance with Section 9-4-5004. The performance-based program budget instructions must be transmitted to each agency no later than September 1 of each year. The budget instructions must include instructions for agencies in submitting performance measures and standards as required by Section 9-4-5003. The budget instructions must also include instructions for agencies in submitting the assessment of performance measures and the unit cost information required to be included in the agency annual performance report under Section 13-5-110(g). The commissioner of finance and administration, in consultation with the fiscal review committee and the comptroller of the treasury, shall develop instructions as to the calculation of the unit cost information and the format and presentation of the summary required under Section 13-5-110(g). For fiscal year 2001-2002, the commissioner of finance and administration may provide interim instructions which allow for a phased-in implementation of unit cost reporting by agencies. Full implementation of unit cost reporting shall be effective with the submission of the December 1, 2002 agency performance report. In the event that agreement cannot be reached between the commissioner of finance and administration and the fiscal review committee regarding performance-based program budget request instructions, the issue shall be resolved by the governor and the speakers of the senate and house of representatives.

(b) The commissioner of finance and administration shall review the preliminary performance-based program budget request for technical compliance with the budget format

provided for in the program budget instructions. The commissioner shall notify the agency of any adjustment required. The agency shall make the appropriate corrections in preparing its final performance-based program budget request. If the appropriate technical corrections are not made in the final performance-based program budget requests, the commissioner of finance and administration may adjust the program budget request to incorporate the appropriate technical corrections in the format of the request.

**9-4-5006.** (a) In addition to the items to be set forth in the budget document pursuant to Section 9-4-5101, the governor shall also provide to the general assembly a performance-based program budget for programs administered by each agency.

(b) The commissioner of finance and administration shall review the agency annual performance report required by Section 13-5-110(g), request any reports or additional analyses as necessary, and submit a recommendation, which may include a recommendation regarding incentives or disincentives for agency performance. Incentives or disincentives may apply to all or part of a state agency.

(1) Incentives may include, but are not limited to:

(A) Additional flexibility in budget management, such as, but not limited to, the use of lump sums, special categories, or performance-based program appropriation; consolidation of budget entities or program components; consolidation of appropriation categories; and increased agency transfer authority between appropriation categories or budget entities.

(B) Additional flexibility in salary rate and position management.

(C) Retention of up to fifty percent (50%) of all unencumbered balances of appropriations as of June 30, or undisbursed balances as of December 31, excluding special categories and grants and aids, which may be used for nonrecurring purposes including, but not limited to, lump-sum bonuses, employee training, or productivity enhancements, including technology and other improvements.

(D) Additional funds to be used for, but not limited to, lump-sum bonuses, employee training, or productivity enhancements, including technology and other improvements.

(E) Additional funds provided pursuant to law to be released to an agency quarterly or incrementally contingent upon the accomplishment of units of output or outcome specified in the general appropriations act.

(2) Disincentives may include, but are not limited to:

(A) Mandatory quarterly reports to the commissioner of finance and administration and the general assembly on the agency's progress in meeting performance standards.

(B) Mandatory quarterly appearances before the appropriate standing committees of the general assembly, the governor, or the commissioner of finance and administration to report on the agency's progress in meeting performance standards.

(C) Elimination or restructuring of the program, which may include, but not be limited to, transfer of the program or outsourcing all or a portion of the program.

(D) Reduction of total positions for a program.

(E) Restriction on or reduction of the spending authority previously provided under the general appropriations act.

(F) Reduction of managerial salaries.

**9-4-5007.** (a) (1) Whenever notice of action to be taken by the governor, the commissioner of finance and administration, or any agency is required by this chapter, such notice shall be given to the chairs of the senate and house finance, ways and means committees in writing, and shall be delivered to both such chairs at least fourteen (14) consecutive days prior to the action referred to, unless a shorter period is approved in writing by both such chairs. Action shall not be taken on any budget item for which this part requires

notice to the senate and house finance, ways and means committees without such notice having been provided, even though there may be good cause for considering such item.

(2) If the chairs of the senate and house finance, ways and means committees or the speakers of the senate and house of representatives advise, in writing, the governor or the commissioner of finance and administration that an action or a proposed action subject to the notice and review requirements of this chapter exceeds the delegated authority of the governor or the commissioner of finance and administration for the executive branch or the administrative director of the courts for the judicial branch, respectively, or is contrary to legislative policy and intent, the governor, the commissioner or the administrative director of the courts shall void such action and instruct the affected state agency or entity of the judicial branch to change immediately its spending action or spending proposal until the general assembly addresses the issue. The written documentation shall indicate the specific reasons that an action or proposed action exceeds the delegated authority or is contrary to legislative policy and intent.

(c) The general assembly may annually specify any incentives and disincentives for agencies operating programs under performance-based program budgets pursuant to this chapter in the general appropriations act.

**9-4-5008.** On an annual basis, the comptroller of the treasury shall audit the information used or created by a state agency to prepare the annual performance report required by section 13-5-110(g), together with any books, records and other evidences of financial transactions kept by any state agency subject to this act. The comptroller of the treasury shall have the full cooperation of the officials of any such state agency in the performance of such audit or audits. Every such audit shall be performed and reported as a part of and in accordance with the provisions contained in Tennessee Code Annotated, title 8, chapter 4.

SECTION 3. Tennessee Code Annotated, Section 9-4-5102, is amended by deleting the section in its entirety.



SECTION 4. Tennessee Code Annotated, Section 9-4-5103, is amended by inserting after the language "and submit to such officer," the language "a performance-based program budget request together with".

SECTION 5. Tennessee Code Annotated, Section 9-4-5106(a)(2), is amended by inserting after the language "or which may be required by the general assembly" the language "including, but not limited to, any information and statements necessary to implement the provisions of this act".

SECTION 6. Tennessee Code Annotated, Section 9-4-5106(a)(3), is amended by inserting after the language "revenues necessary to finance the budget" the language "and implement the provisions of this act".

SECTION 7. This act shall take effect July 1, 2000, the public welfare requiring it.